The Impact of Medicare Part D on the Percent Gross Margin Earned by Texas Independent Pharmacies for Dual Eligible Beneficiary Claims

Angela Winegar, M.S., Marvin Shepherd, Ph.D., Ken Lawson, Ph.D., and Kristin Richards, Ph.D.

ISPOR 13th Annual Meeting
May 5, 2008

Center for Pharmacoeconomic Studies
College of Pharmacy
The University of Texas at Austin
Presentation Roadmap

- Setting the Stage
- Methodology
- Results
- Conclusions
Setting the Stage

- What we know…
  - Medicare Part D sponsors reimburse pharmacies for 40% of all prescriptions
  - Dual eligible patients switched from Medicaid to Part D coverage
  - Independent pharmacies most vulnerable
  - Anecdotal reports of “slow and low” payments

- What we have left to uncover…
  - The financial impact of Medicare Part D on independent pharmacies
Statement of Purpose

- Describe dual eligible claims before and after Medicare Part D
- Compare the percent gross margin earned by Texas independent pharmacies for Medicaid and Medicare Part D claims
- Compare Part D claims controlling for Prescription Drug Plan (PDP) Sponsor
Methodology - Study Population

- **Study timeframe**
  - 2005-2006
  - Medicaid: 152,521 claims
  - Transition: 0 claims
  - Medicare Part D: 305,090 claims

- **Inclusion criteria**
  - Texas independent pharmacies (n = 313)
  - Dual eligible patients over the age of 21 (n = 24,576)
Methodology - Financial Measures

- **Pharmacy Financial Measures**
  - Total Revenue = Patient Payment + 3rd Party Payment
  - Dollar Gross Margin = Total Revenue – Ingredient Cost
  - Percent Gross Margin = Dollar Gross Margin / Total Revenue
  - Gross Margin adjusted to 2005 dollars for multi-year comparisons
Results: Medicaid vs. Medicare

- Medicaid patients were:
  - Slightly older (70.2 vs. 69.4)
  - Slightly more likely to be female (67.5% vs. 66.5%; p < 0.001)
  - Taking more prescriptions per month (2.9 vs. 2.3; p < 0.001)

- Medicaid prescriptions were:
  - Not significantly different in terms of generic drug usage
  - Supplied in larger quantities (35.1 days vs. 29.9 days; p < 0.001)
Results: Medicaid vs. Medicare

- Describe and compare payment data

- All payments were significantly different ($p < 0.001$)
Results: Medicaid vs. Medicare

- Describe and compare gross margins

- All differences were significant (p < 0.001)
Results:
Comparison of Top 5 PDP Sponsors

- Describe and compare payment data

![Graphs showing payment data for different sponsors for Patient Payment, Part D Sponsor Payment, and Total Payment Received by Pharmacies for Part D Claims.](image-url)
Results:
Comparison of Top 5 PDP Sponsors

- Describe and compare gross margins
Implications

- Over 1,100 independent pharmacies closed in 2006

- Independent pharmacy benefits from this study:
  - Increased knowledge of the financial impact of Part D
  - More awareness of differences among various PDP sponsors
  - More incentive to evaluate each Part D plan

- Government gains awareness of financial impact of Part D
Limitations

- Limited generalizability
- Analysis done at PDP sponsor level
- Ingredient cost may not represent acquisition cost
- National consumer price index may not be appropriate
Summary

- 23.6% reduction in percent gross margin from Medicaid to Medicare Part D

- Significant variability in the percent gross margin paid by different PDP sponsors

- Proportion of generic prescriptions is an important predictor of percent gross margin

Funding received from: The Community Pharmacy Foundation
Questions?